



**One Hundred Ninth Congress
U.S. House of Representatives
Committee on Homeland Security
Washington, DC 20515**

September 29, 2005

The Honorable Richard L. Skinner
Inspector General
Office of the Inspector General
Department of Homeland Security
Washington, D.C. 20528

Dear Inspector General Skinner:

On September 20, 2005, the Army Corps of Engineers awarded a sole source contract (contract number W911S0-05-G-0002 DF01) to Akima Site Operations, a Charlotte, North Carolina company. The contract was for the purchase of 450 portable classrooms, which are to be located in Mississippi. The government agreed to pay Akima \$39.5 million, approximately \$88,000 per classroom.

I am requesting that you audit and investigate this contract for several reasons. First, the contract price is exorbitant. According to Jeffrey Sacco at Buyerzone.com, the average cost of a portable classroom is \$50-60 per square foot. Under Mississippi state law, the minimum size for a portable classroom is 700 square feet. Because the law further requires that the classrooms retain "portability," the maximum size cannot far exceed the minimum requirements without losing the classroom's mobility. Therefore, the price of a portable classroom suitable for Mississippi should be \$35,000 to \$42,000. The per classroom price for the contract awarded to Akima will be \$88,000.

The contract is for the purchase of these units, not their manufacture or construction. Therefore, the contract was knowingly awarded to enable a "middleman" transaction. This assertion is supported by the fact that Akima does not have any particular expertise in constructing or installing portable classrooms or other temporary structures. According to its website, most of the company's contracts have involved base operations support, telecommunications, transportation and vehicle maintenance, and laboratory and other research facility operations.

The selection of Akima as the middleman was calculated to evade the normal fair and open competition requirements of federal law. Akima is an Alaska Native Corporation—a unique breed of 8(a) contractor. Unlike other 8(a) contractors, awards to ANCs can be sole source, no-bid awards without dollar limits. In the past five years,

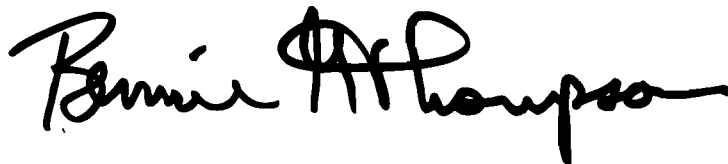
several Congressional Members have raised questions about this and other similarly-situated companies who dominate the 8(a) program through loopholes and connections, thereby undermining the ability of the majority of 8(a) companies to effectively participate in the program.

Indeed, I have received information from Mr. Paul Adams of Mississippi, the owner of a small local business that manufactures classrooms. Mr. Adams reported to me that Akima, prior to being awarded the contract, was already soliciting and receiving bids from subcontractors who manufacture and install portable classrooms. Mr. Adams indicated that he received such a solicitation and received subcontractor contracts from Akima the day before the company even received the contract from the Army Corps of Engineers.

The Stafford Act establishes a preference for contract awards to go to local and small businesses. This legal preference appears to have been intentionally ignored by the Army Corps of Engineer's granting of a contract that intentionally created a middleman. This action is a violation of both the letter and the spirit of the Stafford Act. I am concerned that the failure to follow the Stafford Act, as well as normal federal acquisition processes, will result not only in the American taxpayer being exorbitantly overcharged, but will hamper real rebuilding and economic recovery efforts in Mississippi, a state that was severely damaged by Hurricane Katrina. Federal agencies must seriously explore ways to increase the number of small and locally owned businesses involved in reconstructing the Gulf Coast, and not design contracts that purposefully cut them out and are granted to out-of-state entities.

Because of the serious issues raised by this case, I am requesting that you conduct an audit and investigation of this contract. If you need more information on this matter, please contact Cherri Branson, Investigative and Oversight Counsel for the Committee, at (202) 226-2616. I look forward to your prompt reply to this request.

Sincerely,

A handwritten signature in black ink, reading "Bennie G. Thompson". The signature is fluid and cursive, with a large, stylized "B" and "T".

Bennie G. Thompson
Ranking Member
House Committee on Homeland Security